

Gysbers, Bridgot - PSC

From: Ignatowski, Timothy [Timothy.Ignatowski@milwaukee.gov]
Sent: Monday, November 02, 2009 1:41 PM
To: Gysbers, Bridgot - PSC
Subject: RE: Milwaukee Rate Case - Revenues
Attachments: BG_Revenue Initial Data Request Questions.doc; BG_Revenue Questions.xls

Follow Up Flag: Follow up
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Note attachments. Let me know if you have any follow up questions.

Tim Ignatowski
Accountant III
Milwaukee Water Works
841 N. Broadway - Room 409
Milwaukee, WI 53202
Phone: 414-286-2435
Fax: 414-286-0531
Email: timothy.ignatowski@milwaukee.gov

From: Gysbers, Bridgot - PSC [mailto:Bridgot.Gysbers@wisconsin.gov]
Sent: Wed 10/28/2009 11:49 AM
To: Ignatowski, Timothy
Subject: Milwaukee Rate Case - Revenues

Tim,

I have completed my review of revenues for the Milwaukee rate case and have attached to this e-mail my follow-up questions. I would appreciate it if you could attempt to get back to me with your responses by Wednesday, November 4, 2009. If you are not able to meet my proposed deadline please contact me with your proposed date.

If you have additional questions or need clarification, please give me a call.

In the meantime I will let you know if I have additional questions on your responses to my NIRB questions.

Thanks.

Bridgot

Bridgot A. Gysbers
Public Utility Auditor
Division of Water, Compliance, and
Consumer Affairs
Public Service Commission of Wisconsin
610 N. Whitney Way
PO Box 7854
Madison, WI 53707-7854

Phone: (608) 267-0637
Fax: (608) 266-3957
E-mail: Bridgot.Gysbers@wisconsin.gov

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Milwaukee Water Works

Docket 3720-WR-107

Revenues Initial Data Request

Document created by: Bridgot A. Gysbers, PSC staff, October 13, 2009

Milwaukee – Urban

1. Industrial - Please provide detail for the largest industrial customers similar to the last case. This would be the 2006-2008 volumes (in Ccf's) for the companies listed below. I believe a printout was just run from the billing system last time. Also, are you aware of any large changes in usage by any of these customers?
 - a. Miller Brewing
 - b. Red Star Yeast
 - c. Wis. Paperboard
 - d. Tower Auto (AO Smith)
 - e. WE Energies (WEPCO)
 - f. Pfister & Vogel
 - g. Allen Bradley
 - h. Pabst Brewing

Milwaukee – Suburban (West Milwaukee)

2. Industrial - Please provide detail for the largest industrial customers similar to the last time. This would be the 2006-2008 volumes in Ccf's for the companies listed below. I believe a printout was just run from the billing system last time. Also, are you aware of any large changes in usage by any of these customers?
 - a. Froedert Grain & Malt
 - b. Masterson Company
 - c. Krause Milling Company
 - d. International Malting (formerly Kurth)

Milwaukee – Suburbs

3. Industrial – Please provide usage in CCF for the last 3 years (2006-2008) usage for your four largest customers similar to last time. Also, are you aware of any changes in usage of any of these customers?
 - a. Fontarome Chemical
 - b. Richards LLC
 - c. Mt Carmel Nursing
 - d. Spic and Span

Note file “BG_Revenue Questions”, worksheet title “Questions 1-3”.

4. Public Authority – Based on staff’s review of the “Revenue by Community” info that was emailed on October 8, 2009 there were 0 customers and usage for Public Authority – Suburbs. Is this correct? During the last rate case there was approximately 5 customers. Please explain what caused this change and why you would expect it to remain at 0 going forward.

Answer – The Public Authority – Suburbs is listed as “Parks – Public Authority” under Total Suburban-Retail. There are 5 customers. It is between West Milwaukee and the County Institutions.

Other

5. County Institutions – Please provide for years 2006 – 2008 the number of customers by year.

Answer – We don’t have any information about the number of customers at the County Institutions or for the other wholesale customers. Please contact Dave McMahon at 414-257-7471 or email dmcmahon@milwcntv.com for information about the County Institutions.

6. In the last rate case PSC staff inquired whether the utility had incurred demand charges. It was noted in reference to tariff W-1 the response was that consumption had been dropping so much over the last several years that the utility had not incurred demand charges in several years. Would that still be the case for the current case? Please explain.

Answer – Yes. The consumption is still dropping over the last couple of years. Note Attachment 3, pages 7-8 in our rate application. We still have more than enough capacity (purification and pumping) to meet the wholesale demands.

7. AC 470 Forfeited Discounts – Please explain the increasing trend in this account since 2007 and why you expect it to continue? Do you still think that your 2009 will still come in at an amount of \$2,300,000? If we annualize the 2009 amount from your August trial balance that you e-mailed previously we would only arrive at an amount for 2009 of approximately \$1,536,000. Please clarify.

Answer – It is due to the slumping economy and job market in the Milwaukee area. I expect this to continue for the next couple of years. I still think that 2.3 million is a good number. The 10% penalty for water bills put on the property tax roll for collection starts coming in October. The amount was \$552,000 in 2008. Your annualized amount is low because it doesn’t include this penalty.

8. Please explain why the 2007-2008 increase was approximately 27% whereas estimated 2009 and 2010 was only 3% and 4% respectively. Why is 3-4% expected to be more the norm?

Answer - One of our clients did not renew their antenna contract with us. This caused the leveling out of expected revenue in PSC 472 (Rental Income) in 2009 and 2010. When we renew antenna contracts, we usually ask for a 3% to 5% increase per year.

9. Public Fire Protection – It was noted in the application that for New Berlin the annual amount was calculated based upon a monthly charge of \$6,400. Please explain why this rate was used instead of what was listed in the tariff of \$4,448.

Answer – In July of 2009, we started to serve an additional part (the middle) of the City of New Berlin. I estimated that the rate would be increased about half way toward the Menomonee Fall rate (8,896) due to the increased territory. I got this information from our superintendent (Carrie Lewis) who has been working with Dave Sheard on this matter. I did this estimate based on the rate schedule 3720-WR-106 and forgot to update it with our latest rate increase (schedule 3720-WQ-102). It should be computed as $8,896 - 4,448 = 4,448 / 2 = 2,224 + 4,448 = 6,672$ or 6,700 instead of 6,400.

**Tim Ignatowski - Milwaukee Water Works
11/2/09**

Milwaukee Water Works -
3720-WR-107
Revenue (Questions 1-3)

MILWAUKEE - INDUSTRIAL
(IN CCF)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Miller Brewing	1,415,185	1,478,881	1,437,599	1,579,747	1,787,883
LeSaffre (Red Star Yeast)	0	0	0	1,810,850	1,677,477
Wisconsin Paperboard	139,931	123,172	111,381	124,018	118,603
Tower Automotive (AO Smith)	0	0	35,050	73,440	76,781
We Energies (WEPCO)	607,065	607,498	629,730	604,807	602,799
Pfister and Vogel	0	0	0	0	0
Rockwell (Allen Bradley)	172,832	137,304	132,217	111,376	104,438
Pabst Brewing	0	0	0	0	0

LeSaffre (Red Star Yeast) moved its operations out of Milwaukee (effective 12/31/05).

Tower Automotive (AO Smith) closed its plant in 2006.

Pfister and Vogel closed its plant in 2000.

Pabst Brewing closed its plant in 1997.

WEST MILWAUKEE - INDUSTRIAL
(IN CCF)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Froedtert Malt	52,795	96,805	66,120	69,648	51,025
Masterson Company	96,847	73,488	76,792	83,339	77,111
Krause Milling Company	0	0	0	0	8,693
International Malting	0	0	0	0	0

Froedtert Malt, doing business as International Malting, downsized its operations in 2008.

Krause Milling Company closed in 2004.

SUBURBS - INDUSTRIAL
(IN CCF)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Fontarome Chemical	68,320	96,050	102,994	77,140	70,680
Richards LLC	27,551	36,416	44,267	43,946	16,902
Mt Carmel Nursing	23,247	24,706	23,365	22,788	21,616
Spic and Span	15,986	18,364	16,484	16,432	17,914

Fontarome Chemical downsized its operations in 2008.

Richards LLC downsized its operations (2007-2008).